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15 February 1983

TALKING POINTS

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IRAN-IRAQ WAR

Military Situation

- Iran continues preparing for additional attacks on Iraqi forces east of Al Fmarah.
- We believe that the Iranians intend to launch several more probes along the front east of Al Amarah before they mount their main attack, probably in the northern sector of the Al Amarah Front. The Iranian objective is to capture or get close to Al Amarah.
- Iranian attacks since 6 February have been a total failure. Iraqi lines remain intact.

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-- Nonetheless, the main body of Iranian and Iraqi forces has not yet been thrown into the battle. Each side has over 100,000 troops in the area.

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-- If, as now seems likely, the main Iranian attack is unsuccessful, the most likely scenario is for a no war and no peace situation, with continued skirmishes along the border punctuated by occasional large Iranian attacks. In this scenario, Iraq would not be able to export oil through the Gulf.

-- Both sides are receiving sufficient arms to pursue the war at present levels. Both Saddam Hussein and Ayatollah Khomeini appear firmly in power.

-- The critical factor for Iran is popular morale. Iran is relying on the religious fanaticism of its infantry. Heavy Iranian losses, however, with little gain have lowered morale in Iran's infantry units. There are some indications that the latest Iranian defeat has

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further lowered morale (defections to Iraq and executions for cowardice).

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-- Iraq's oil exports currently are limited to the Turkish pipeline with a capacity of 700,000 barrels per day.

-- Once the war ends, Iraq probably could get production back to 3-3.5 million barrels per day within six months.

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-- Repairs to bring the Gulf oil terminals at Khor Al Amaya and Mina Al Bakr up to pre-war capacity of 3.2 million barrels per day will take up to two years.

-- Reopening the Syrian pipeline would add another 1.2 million barrels per day to export capacity in a few months.

- Expansion of the Turkish pipeline by 200,000 barrels per day will not be completed until mid-1984 at the earliest.
- Iraq's ability to sell crude for the remainder of the 1980's however will be constrained by its productive capacity which probably will not exceed 4-4.5 million barrels per day.
- Iraq's foreign exchange reserves currently are an estimated \$4-5 billion dollars, down about \$15 billion from this time a year ago. These reserves are the equivalent of less than three month's imports at last year's average rate.
- Iran, on the other hand, currently is exporting about 2.5 million barrels per day mostly through its oil terminal at Khark Island. Iraqi attacks--the latest on 12 February--have had no appreciable impact on oil exports.
- Iran now is producing oil at near its sustainable capacity of about 3.1 million barrels per day.
- Iran could restore production capacity to 4-5 million barrels per day within one year.

Sustained production beyond this level ,however, would seriously damage Iran's oil fields without a massive pressure maintenance effort.

-- Current Iranian foreign exchange reserves are about \$8-10 billion. This level would provide about eight months to a year's worth of imports at austerity levels.

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